



*Indiana State Teachers'
Retirement Fund*

*2000
Annual Report*

Indiana State Teachers' Retirement Fund

The Honorable Governor Frank O'Bannon
Governor of Indiana
Capitol Building
Indianapolis, Indiana 46204

Dear Governor O'Bannon,

We are pleased to present the 2000 Indiana State Teachers' Retirement Fund Annual Report.

What follows is a synopsis of the 2000 and 1999 fiscal years highlighting the essential changes in the Fund.

	30-Jun-00	30-Jun-99	Increase (Decrease)
Number of Active Members	77,870	77,745	125
Number of Vested Inactive Members	4,331	4,131	200
Number of Retirees and Beneficiaries	32,878	32,048	830
Annual Payout to Retirees and Beneficiaries	\$529.7 Million	\$495.3 Million	\$34.4 Million
Net Assets Held in Trust for Pension Benefits	\$5,577.6 Million	\$4,974.9 Million	\$602.7 Million

Rate of Invested Earnings Distribution

Guaranteed Fund	7.75%	8.00%	-0.25%
Bond Fund	5.99%	4.49%	1.50%
S & P 500	7.21%	36.37%**	-29.16%
Small Cap	38.65%	34.66%**	3.99%
International	26.27%	29.74%**	-3.47%

**From Inception of 10/01/98 thru 06/30/99.

Unfunded Accrued Liability

CLOSED PLAN

Retired Lives	\$1,380.4 Million	\$1,428.0 Million	\$ (47.6) Million
Active and Inactive Members	\$5,819.0 Million	\$6,013.8 Million	\$(194.8) Million

NEW PLAN

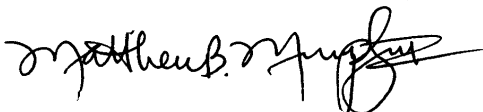
Active and Inactive Members	\$ 337.6 Million	\$ 258.4 Million	\$ 79.2 Million
TOTAL	\$7,537.0 Million	\$7,700.2 Million	\$ (163.2) Million

Please note that Member annuity reserve accounts are fully funded and available to the member at time of withdrawal, retirement, or to the designated beneficiary in the event of the members' death. Under the CLOSED PLAN, State of Indiana pays the employer share as it comes due during the members' retirement.

Our more detailed report includes Financial Statements, with the auditor's report from the State Board of Accounts; Statistical Tables; Actuarial Report and Investment Summary.

We pledge to continue prudent management of the Teachers' Retirement Fund to help provide for our members' retirement security.

Respectfully submitted,



Matthew B. Murphy, III, President
Louise W. Elliott, Vice President
Garrett L. Harbron, Secretary
James M. Bennett, Trustee
Douglas M. Kinser, Trustee



William E. Christopher, Director

MISSION STATEMENT

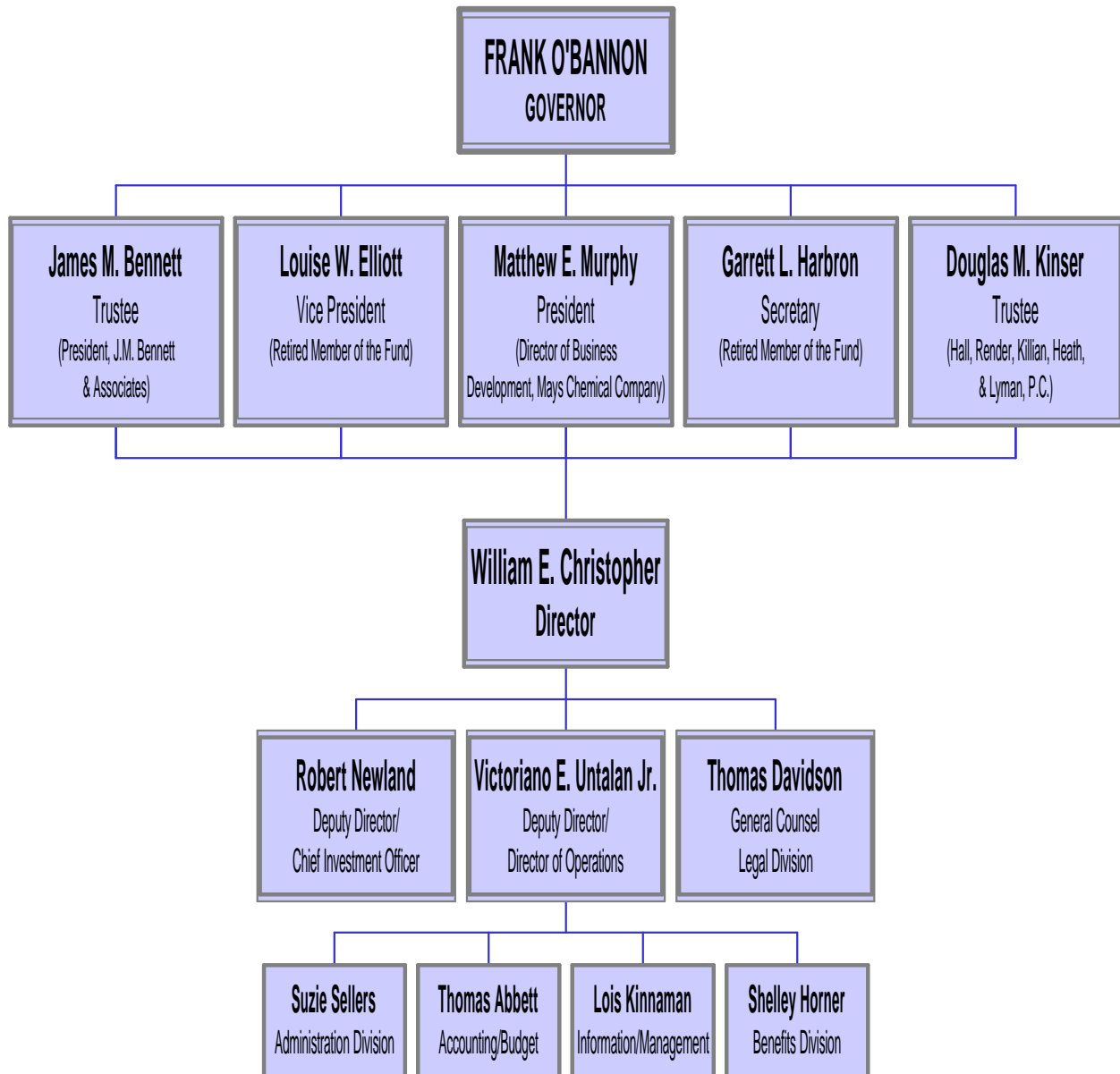
The mission of the
State of Indiana Teachers' Retirement Fund
is to prudently manage the Fund in accordance
with fiduciary standards, provide quality benefits, and
deliver a high level of service to its members,
while demonstrating responsibility
to the citizens of the State.

CORE VALUES

The Indiana State Teachers' Retirement Fund, as an organization, holds the following core values in all of its working relationships:

- Professionalism, respect, and compassion in dealing with others;
- Diversity, both of ideas and people;
- Open communication, collaboration, and cooperation;
- Integrity and the avoidance of conflicts of interest;
- Courtesy and timeliness;
- Accountability;
- Innovation and flexibility; and
- Commitment to and focus on our mission.

Indiana State Teachers' Retirement Fund



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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF THE INDIANA STATE TEACHERS' RETIREMENT FUND

We have audited the accompanying statement of plan net assets of the Indiana State Teachers' Retirement Fund as of June 30, 2000 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Indiana State Teachers' Retirement Fund are intended to present the financial position and results of operations of only the portion of the funds of the State that are attributable to the transactions of the fund.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana State Teachers' Retirement Fund as of June 30, 2000 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Supplemental schedules and related financial information, as prescribed by the Fund's management, are included for purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the examination of the basic financial statements, and accordingly, we express no opinion on them.

November 16, 2000

STATE BOARD OF ACCOUNTS

STATEMENT OF PLAN NET ASSETS
June 30, 2000

Assets

Cash and Cash Equivalents	\$ 292,259,211
Securities Lending Collateral	<u>347,707,350</u>
Receivables	
Employer Contributions Receivable	18,233,449
Due From PERF	4,496,808
Member Contributions Receivable	28,054,396
Receivable From State Lottery	7,500,000
Receivables for Securities Sold	37,482,378
Investments Interest Receivable	<u>43,135,819</u>
<i>Total Receivables</i>	<u>138,902,850</u>
Investments	
Bonds	2,847,218,589
Equity Investments	2,370,449,667
Real Estate	<u>260,000</u>
<i>Total Investments</i>	<u>5,217,928,256</u>
Furniture and Equipment (Original Cost of \$377,276 Net of \$354,556 Accumulated Depreciation)	<u>22,720</u>
Insurance Premium Paid in Advance	<u>36</u>
<i>Total Assets</i>	<u><u>5,996,820,423</u></u>

Liabilities

Accrued Benefits Payable	7,810,294
Accrued Salaries Payable (See Note 1)	69,574
Accrued Liability for Compensated Absences - Current	6,933
Accrued Liability for Compensated Absences – Long Term	128,612
Accounts Payable	3,533,470
Due To PERF	4,950,986
Securities Lending Collateral	347,707,350
Payables for Securities Purchased	<u>55,028,072</u>
<i>Total Current Liabilities</i>	<u><u>419,235,291</u></u>

Net Assets Held in Trust for Pension Benefits	\$ <u><u>5,577,585,132</u></u>
------------------------------------------------------	---------------------------------------

(A schedule of funding progress is presented on page 25)

The accompanying notes are an integral part of the financial statements

Indiana State Teachers' Retirement Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS Year Ended June 30, 2000

Additions

Contributions

Member Contributions	\$ 101,456,614
Employer Contributions	483,634,870
Employer Contributions - Pension Stabilization	162,500,000
<i>Total Contributions</i>	<u>747,591,484</u>

Investments

Net Appreciation (Depreciation) in Fair Value	176,225,279
Interest Income	206,314,694
Dividend Income	24,223,978
Securities Lending Income	21,145,610
Less Investment Expense	
Investment Fees	(9,893,748)
Securities Lending Fees	(20,157,483)
<i>Net Investment Income</i>	<u>397,858,330</u>

Other Additions

Transfers From Other Retirement Funds	1,755,319
Annuity and Disability Refunds	1,185,925
Outdated Benefit Checks	0
Reimbursement of Administrative Expense	22,529
<i>Total Other Additions</i>	<u>2,963,773</u>
<i>Total Additions</i>	<u>1,148,413,587</u>

Deductions

Annuity and Disability Benefits	529,723,007
Voluntary and Death Withdrawals	9,439,365
Refunds - Members/School Units	0
Claims on Outdated Benefit Checks	23,027
Administrative Expenses	3,627,148
Capital Projects	1,852,752
Depreciation Expenses	65,157
Transfers to Other Retirement Funds	1,035,801
<i>Total Deductions</i>	<u>545,766,257</u>

Net Increase (Decrease)

602,647,330

Net Assets Held in Trust for Pension Benefits

Beginning of Year

4,974,937,802

End of Year

\$ 5,577,585,132

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

- A. **Reporting Entity** - The financial statements presented in this report represent only those funds that the Indiana State Teachers' Retirement Fund has responsibility for and are not intended to present the financial position or results of operations of the State of Indiana or all of the retirement and benefit plans administered by the State. As of June 30, 2000, the Indiana State Teachers' Retirement Fund (TRF) was an agency of the State of Indiana. Effective July 1, 2000, TRF became an independent (body) corporate and politic (Public Law 119-2000). TRF is not a department or agency of the State but is an independent instrumentality exercising essential government functions. Although TRF is not a state agency, it is a component unit of the State of Indiana for financial statement reporting purposes.
- B. **Basis of Presentation** - The financial statements of the Indiana State Teachers' Retirement Fund have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles.
- C. **Fund Accounting** - The State of Indiana uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the servicing of general long-term debt (debt service funds), and the acquisition or construction of general fixed assets (capital projects funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governmental units, or on behalf of other funds within the same governmental unit. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a non-expendable trust fund or an expendable trust fund is used. The terms "non-expendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The Indiana State Teachers' Retirement Fund is a pension trust fund. For a description of this fund, see Note 2.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

- D. Basis of Accounting** - The records of this Fund are maintained on a cash basis. The accrual basis is used for reporting purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the balance sheet.

- E. Budgets** - State agencies, as part of the State of Indiana, submit proposed budgets on a biennial basis to the State Budget Agency. The State Budget Agency reviews the proposal and makes changes to them before submitting a total budget proposal to the Indiana General Assembly. After budget hearings the General Assembly appropriates funds for state agencies' operations, property maintenance, grants and special projects. For operations, the appropriations are divided into two components; Personal Services for salaries, wages and relating benefits, and Other Operating Expenses.

The Budget Agency limits the agency's ability to make purchases by allotting a portion of the appropriations. The appropriated money has to be allotted before it can be disbursed. The Indiana State Teachers' Retirement Fund receives appropriations from the state that represent employer contributions. Pensions, annuities, and benefits are not appropriated before being disbursed.

- F. Deposits and Investments** - The Treasurer of State acts as the official custodian of the cash and securities, except for securities held by banks or trust companies under custodial agreements with the Board of Trustees. The Board of Trustees may contract with investment counsel, trust companies, or banks to assist the Board in its investment program. The Board is required to diversify investments in accordance with prudent investment standards. The Board has issued investment guidelines for its investment program which authorized investments of: U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, and banker's acceptances. See Note 4 for more details.

- G. Method Used to Value Investments** - GASB 25 requires that investments of defined benefit plans be reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

- H. Equipment** - Equipment with a cost of \$5,000 or more is capitalized at the original cost. Depreciation is computed on the straight-line method over the estimated five year life of all assets.

- I. Contributions Receivable** - The contributions receivable was determined by using actual contributions received in July for days paid in the quarter ended June 30, 2000.

- J. Inventories** - Inventories of consumable supplies are not recognized on the balance sheet as they are considered immaterial. Purchases of consumable supplies are recognized as expenditures at the time of purchase.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

K. Reserves and Designations

The following are the legally required reserves and other designations of fund equity:

1. Member Reserve: The member's reserve represents member contributions made by or on the behalf of the employees plus any interest distributions, less amounts refunded or transferred to the Benefits in Force reserve for retirement disability, or other benefit. For Indiana State Teachers' Retirement Fund this reserve is the employees' annuity savings account.
2. Benefits in Force: This reserve represents the actuarially present value of future benefits for all members who are presently retired or disabled. The accumulated contributions of the members are transferred to the reserve upon retirement or disability. The remainder of the actuarial pension cost is transferred from the employer reserve to fund the benefits. This reserve contains \$1,672,647,180 for the Pension Stabilization Fund. The Pension Stabilization Fund was established by IC 21-6.1-2-8.
3. Employer Reserves: This reserve consists of the accumulated employer contributions plus earnings distributions less transfers made to the benefits in force reserve of the actuarial pension cost.
4. Undistributed Investment Income Reserve: This reserve was credited with all investment earnings. Interest transfers have been made annually to the other reserves as allowed or required by statutes. The transfers are at rates established by the Board of Trustees.

The following are the balances of the reserves and designations of fund equity:

<u>Member Reserve</u>	<u>Employer Reserve</u>	<u>Benefits In Force</u>	<u>Undistributed Income</u>
<u>\$2,665,979,303</u>	<u>\$163,515,524</u>	<u>\$2,520,006,409</u>	<u>\$228,545,549</u>

- L. Payables and Liabilities** - Payables and liabilities are not maintained throughout the year on the accounting records. They are calculated or estimated for financial statement reporting purposes and are posted to the general ledger at year end.

- M. Compensated Absences** - Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment. Personal leave days are earned at the rate of one day every four months; any personal (leave) accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty unused vacation leave days.

No liability is reported for unpaid accumulated sick leave. Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and as Accrued Compensated Absences Payable.

NOTES TO FINANCIAL STATEMENTS**June 30, 2000***(Continued)***Note 2. Fund Description**

The Indiana State Teachers' Retirement Fund is the administrator of a multiple-employer retirement fund established to provide pension benefits for persons who are engaged in teaching or in the supervision of teaching in the public schools of the state. At June 30, 2000, the number of participating school unit employers was:

Public School Units	317
Higher Education Units	4
State of Indiana Agencies	29
Associations	<u>3</u>
Total Employers	<u>353</u>

Membership in the Fund is required for all legally qualified and regularly employed teachers who serve in the public schools of Indiana, including the faculty at Vincennes University. Additionally, faculty members at Ball State University, Indiana State University, and University of Southern Indiana have the option of selecting membership in the Fund or the alternate University Plan. As of July 1, 1999, Indiana State Teachers' Retirement Fund membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	32,048
Active Plan Members	77,745
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	<u>4,131</u>
Total	<u>113,924</u>

The Indiana State Teachers' Retirement Fund provides retirement benefits, as well as death and disability benefits. Eligibility to retire occurs at age fifty with fifteen or more years of service or at age sixty-five with ten years of service. Annual retirement benefits, disability benefits, and death benefits are computed as follows:

Regular Retirement (No Reduction Factor For Age)

Eligibility - Age sixty-five with ten years service or age fifty-five with age plus years of service equaling at least eighty-five or age sixty with at least fifteen years of service.

Mandatory Retirement Age - none.

Annual Amount - State pension equal to total years of service times 1.1% of final average salary; plus an annuity purchased by the member's accumulated contributions unless the member elects to withdraw the accumulated contributions in a lump sum.

Type of Final Average Salary - Average of highest five years.

Early Retirement (Age Reduction Factor Used)

Eligibility - Age fifty with fifteen or more years service.

Annual Amount - State pension is computed as regular retirement benefit but reduced one-tenth of 1% for each month age at retirement is between sixty and sixty-five and five-twelfths of 1% for each month under age sixty.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

Deferred Retirement (Vested Benefit)

Eligibility - Ten years of service. Benefit commences at age sixty-five, or at age fifty if member has fifteen or more years of service.

Annual Amount - Computed as a regular retirement benefit with state pension based on service and final average salary at termination.

Regular Disability

Eligibility - Five years of service.

Annual Amount - \$125 per month plus \$5 for each year of service credit over five years.

Disability Retirement (No Reduction Factor For Age)

Eligibility - Five years of service and also qualify for Social Security Disability at time of termination.

Annual Amount - Computed as a regular retirement benefit with state pension based on service and final average salary at termination.

Duty Death Before Retirement

Eligibility - Fifteen years of service. Spouse to whom member had been married for two or more years is automatically eligible, or a dependent may be designated as beneficiary.

Annual Amount - Computed as regular retirement benefit but reduced in accordance with a 100% joint and survivor election.

Benefit Increases After Retirement: No automatic increases after retirement are provided. Unscheduled increases have been made from time to time.

Each member shall, as a condition of employment, contribute to the Fund 3% of his/her compensation. Effective July 1, 1986, each employing unit may elect to "pick up" the employee contribution. No part of the member contributions to the Fund picked up by the employer is includable in the gross income of the member. The "pick up" amount does count in the salaries used to determine the final average at retirement. Any member who leaves covered employment has the option to withdraw accumulated contributions and interest. In the event of a death of a member who has served less than fifteen years or does not meet the surviving spouse requirements, their designated beneficiary or estate is entitled to a lump sum settlement of their contributions plus interest.

Indiana pension statutes stipulates that each member of the Fund shall have the opportunity to direct their annuity savings account into one of five current investment programs:

1. The Guaranteed Fund - Interest is credited at a rate annually determined by the Board of Trustees. Principal and interest are "guaranteed." Market risk is assumed by the Fund.
2. The Bond Fund - Contains high quality fixed-income instruments which provide interest/capital gain income. Market risk is assumed by the member.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

3. *S & P 500 Index Fund* - Closely tracks the return on the S & P 500 Index by employing an indexing strategy that invest in the stocks of the S & P 500 Index companies. Market risk is assumed by the member.
4. *Small Cap Equity Fund* - Consist of stocks with a market capitalization of less than \$1.5 billion. Market risk is assumed by the member.
5. *International Equity Fund* - Consists of securities of developed non-U.S. countries. Market risk is assumed by the member.

The Guaranteed Fund, Bond Fund, S & P 500 Index Fund, Small Cap Fund and International Fund are valued at market value. When a member retires, dies or suspends membership and withdraws from the fund, the amount credited to the member shall be valued at the market value of the member's investment plus accrued interest on investment less accrued investment expenses.

Members may only make a selection or re-allocation once during any twelve month period. The changes will be in effect the first month of the quarter following the request for change. Members may request allocations to one or all of the approved funds, as long as those allocations are made in 10% increments of the total balance in the member's account at the time of allocation. The total must equal 100%.

Note 3. Employer Contributions Required and Employer Contributions Made

The Indiana State Teachers' Retirement Fund is funded on a "pay as you go" basis for employees hired prior to July 1, 1995. State appropriations are made for the amount of estimated pension benefit pay-out for each fiscal year. For employees hired on or after July 1, 1995, the individual employer will make annual contributions. These contributions are actuarially determined.

Based on the actuarial valuation at June 30, 1999, employer actuarially required contributions were \$547,532,673 normal cost, with no amortization of the unfunded actuarial accrued liability and zero provision for expenses. Contributions made by employers for the year ended June 30, 2000 totaled \$646,134,870 which was 19.6% of covered payroll.

Note 4. Cash, Investments and Securities Lending

Investments made by the Indiana State Teachers' Fund, including repurchase agreements, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 includes investments that are insured or registered or for which securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or its agency in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the State's name.

Indiana State Teachers' Retirement Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

State statutes and Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. No more than 40% of Teachers' Retirement Fund's total assets may be lent at any one time. At year-end, Teachers' Retirement Fund has no credit risk exposure to borrowers because the amount Teachers' Retirement Fund owes the borrowers exceed the amounts the borrowers owe Teachers' Retirement Fund.

Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day. Cash collateral is generally invested in securities of a longer term, generally with maturities up to one year, and the weighted - average term to maturity of all collateral investments was thirty days.

	<u>Category</u>			<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Equity Securities	\$ 2,315,034,281	\$ --	\$ --	\$ 2,315,034,281
Corporate Bonds				
Not on Securities Loan	1,200,060,815	--	--	1,200,060,815
On Securities Loan	--	134,754,089	--	134,754,089
Foreign Bonds	4,983,597	--	--	4,983,597
Mortgage Securities				
Not on Securities Loan	24,128,112	--	--	24,128,112
On Securities Loan	--	10,000,000	--	10,000,000
U.S. Treasury and Agency Obligations	1,161,417,046	--	--	1,161,417,046
Not on Securities Loan				
On Securities Loan	--	153,034,830	--	153,034,830
Investments on Securities Loan				
Repurchase Agreements	--	242,684,325	--	242,684,325
Certificate of Deposit		15,000,000		15,000,000
Time Deposit	--	5,000,000	--	5,000,000
Total Investments Categorized	\$ 4,705,623,851	\$ 560,473,244	\$ --	\$ 5,266,097,095

<u>Investments Not Categorized</u>	<u>Market Value</u>
Investments Held by Broker - Dealers Under Securities Loans With Cash Collateral	
Equity Securities	\$ 55,299,629
Corporate Bonds	113,876,716
United States Government Securities	122,697,897
Mortgage securities	7,288,512
Total Investment Not Categorized	\$ 299,162,754

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

Note 5. Employee Retirement System

The State of Indiana contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system which acts as a common investment and administrative agent for state employees and employees of the various subdivisions of the State of Indiana. In addition, the State of Indiana contributes to the Indiana State Teachers' Retirement Fund (TRF) for state employees who are eligible to be members of that plan. The payroll for the employees covered by Indiana State Teachers' Retirement Fund for the year ended June 30, 2000 was \$102,254 and the payroll for the employees covered by Indiana Public Employees' Retirement Fund was \$908,689.

All full-time employees covered by PERF are required, after one year of service, to participate in the plan. State statutes govern most requirements of the system, including the benefits which vest after ten years of service. Employees who retire may receive benefits with fifteen years of service if they have reached fifty years of age. An employee may receive benefits at age sixty-five with ten years of service. All full-time employees covered by TRF and retiring after May 1, 1989 may receive normal benefits at age sixty with at least fifteen years of service; or the member is at least fifty-five years of age and the years of age and years of creditable service add up to at least eighty-five.

The plan is a defined benefit plan. Contributions equal to three percent of each employee's compensation is required which may be paid by the employer or withheld from employees. The State pays the three percent contribution for its employees. Benefits from this three percent depends on the amount contributed, plus investment earnings. Employees who leave employment before qualifying for benefits receive this accumulated contribution, plus the investment earnings credited.

PERF's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the State's employee group as a whole has tended to remain level as a percentage of annual covered payroll. PERF uses the entry age normal cost method to determine the contribution requirements and the actuarial accrued liability. The State's annual contribution to PERF consists of the amortization of the unfunded actuarial accrued liability (expressed as a level dollar amount), plus the entry age normal cost (expressed as a percentage of total payroll).

The amortization of the unfunded actuarial accrued liability is the level dollar payment necessary to amortize the unfunded actuarial accrued liability. The initial 1975 liability is being amortized over forty years from the date of change, with the exception that changes in liabilities due to cost of living adjustments are being amortized over fifteen years. The entry age normal cost is determined on an individual basis and then increased proportionally to account for PERF operational expenses. TRF, on the other hand, is funded on a pay-as-you-go basis for employees hired prior to July 1, 1995, with the state appropriating only the amount necessary to fund the benefits due in a particular year. For employees hired on or after July 1, 1995, the employer makes annual contributions. The General Assembly is required to appropriate an amount sufficient to cover the state's actuarial liability for each member covered by the pre-1996 account and for each state employee covered by the 1996 account.

The State, as the employer, makes contributions to PERF in accordance with actuarially determined requirements computed through an actuarial valuation. These contributions are paid through the individual state agencies using the actuarial percentages.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

Note 6. Deferred Compensation Plan

The State offers its employees a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and employees of certain quasi-agencies and political subdivisions within the State, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of participants of the plan and their beneficiaries as required by section 457(g) of the Internal Revenue Code.

The state has established a deferred compensation committee that holds the fiduciary responsibility for the plan. The committee holds the deferred amounts in an expendable trust.

Note 7. Contingent Liabilities

The Indiana State Teachers' Retirement Fund is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters will not have a material or adverse effect on the financial condition of the Fund. Tort claims are paid from the General Fund of the State of Indiana through the Attorney General's Office and are not paid by the Fund.

Note 8. Risk Management

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The policy of the Fund is not to purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

Indiana State Teachers' Retirement Fund

REQUIRED SUPPLEMENTAL SCHEDULES June 30, 2000

SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6-30-94	\$ 2,809	\$ 9,088	\$ 6,279	30.91%	\$ 2,615	240.11%
6-30-95	2,984	9,675	6,691	30.84%	2,729	245.18%
6-30-96	3,263	10,331	7,068	31.58%	2,879	245.50%
6-30-97	3,750	11,044	7,294	33.96%	2,985	244.36%
6-30-98	4,266	11,779	7,513	36.22%	3,095	242.75%
6-30-99	4,971	12,671	7,700	39.23%	3,294	233.76%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1994	\$ 456,846,570	63%
1995	481,927,124	65%
1996	508,940,065	106%
1997	508,259,679	92%
1998	524,815,537	117%
1999	547,532,673	118%

NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 1999
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	40 Years
Asset Valuation Method	Book Value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	5.50% to 10.60%
Post Retirement Benefit Increases	5.50%
Cost of Living Increases	Unscheduled Increases Periodically

Statistical Tables

Indiana State Teachers' Retirement Fund

SCHEDULE OF ADMINISTRATIVE EXPENSES

	2000	1999	1998	1997
Personal Services:				
Trustees Per Diem	\$8,624	\$6,270	\$6,540	\$2,600
Staff Salaries	1,210,178	1,072,924	848,851	787,963
Social Security	73,368	72,169	64,823	60,271
Retirement	90,173	87,625	78,498	76,276
Insurance	161,332	144,976	137,240	130,363
Temporary Services	82,304	117,596	49,550	55,002
Total Personal Services	<u>\$1,625,979</u>	<u>\$1,501,560</u>	<u>\$1,185,502</u>	<u>\$1,112,475</u>
Professional & Technical Services:				
Actuarial	\$85,790	\$105,680	\$63,080	\$58,260
Data Processing	872,953	518,050	444,038	371,825
Data Processing Consultant	0	862	0	41,672
Audit	28,127	23,827	19,823	16,016
Revised Internal Operations				
Procedures Manual Development	0	0	0	0
Legal Services	65,289	87,602	83,596	40,546
Medical Examinations	220	340	700	636
Pension Death Record Comparison	5,044	5,125	5,097	5,056
Total Prof. & Tech. Services	<u>\$1,057,422</u>	<u>\$741,486</u>	<u>\$616,334</u>	<u>\$534,011</u>
Communication:				
Printing	\$6,510	\$32,938	\$31,863	\$31,763
Telephone	81,386	35,613	30,417	26,482
Postage	572,653	587,979	286,544	378,269
Travel	26,491	12,180	13,159	6,576
Total Communication	<u>\$687,040</u>	<u>\$668,710</u>	<u>\$361,983</u>	<u>\$443,090</u>
Miscellaneous:				
Court Reporter	\$0	\$0	\$0	\$0
Administrative Legal Services	2,723	4,178	4,347	2,125
Equipment Leasing	19,296	18,760	18,224	2,164
Unemployment	4,105	768	9,732	0
Membership and Training	31,562	14,842	22,574	10,992
Supplies	34,786	31,625	27,055	35,122
Maintenance	6,999	7,547	5,345	13,220
Bonding	1,491	1,736	1,292	1,288
Depreciation	65,156	30,738	33,737	40,287
Office Rent	155,745	156,445	149,274	152,175
Advertising	0	0	0	0
Total Miscellaneous	<u>\$321,863</u>	<u>\$266,639</u>	<u>\$271,580</u>	<u>\$257,373</u>
Total Administrative Expenses	<u>\$3,692,305</u>	<u>\$3,178,395</u>	<u>\$2,435,399</u>	<u>\$2,346,949</u>

CAPITAL PROJECTS

	2000	1999	1998
New Retirement Information System:			
System Design and Development	\$1,218,690	\$0	\$0
Project Manager	302,800	73,809	93,897
Project Quality Assurance	331,263	53,619	16,109
Total	<u>\$1,852,752</u>	<u>\$127,428</u>	<u>\$110,006</u>

Indiana State Teachers' Retirement Fund

1996	1995	1994	1993	1992	1991
\$2,700	\$2,700	\$2,100	\$2,050	\$2,150	\$2,000
732,141	745,068	735,340	618,709	623,665	617,793
55,926	56,780	50,430	46,844	47,313	46,344
66,113	67,043	99,449	54,270	56,610	57,545
121,104	107,820	62,711	79,144	70,575	59,624
35,147	18,423	8,024	0	0	0
<u>\$1,013,131</u>	<u>\$997,834</u>	<u>\$958,054</u>	<u>\$801,017</u>	<u>\$800,313</u>	<u>\$783,306</u>
\$46,825	\$75,660	\$49,360	\$61,950	\$39,580	\$48,985
447,913	381,491	784,628	774,950	659,349	645,969
74,913	0	0	0	0	0
16,383	25,898	12,456	16,155	9,161	8,260
0	0	0	0	2,235	20,109
40,729	69,288	12,797	77,680	41,572	28,050
480	940	640	700	1,300	1,140
5,019	5,100	5,611	6,106	6,698	2,227
<u>\$632,262</u>	<u>\$558,377</u>	<u>\$865,492</u>	<u>\$937,541</u>	<u>\$759,895</u>	<u>\$754,740</u>
\$60,770	\$106,479	\$113,318	\$103,569	\$92,091	\$73,782
23,856	27,139	20,046	23,198	19,534	16,839
317,912	239,550	208,015	237,315	217,831	230,490
7,241	7,778	8,196	7,132	8,383	7,056
<u>\$409,779</u>	<u>\$380,946</u>	<u>\$349,575</u>	<u>\$371,214</u>	<u>\$337,839</u>	<u>\$328,167</u>
\$0	\$0	\$0	\$0	\$0	\$0
1,607	1,230	1,590	2,672	0	0
6,303	3,731	1,427	0	2,821	7,163
0	2,707	0	0	2,608	514
8,421	7,316	6,297	10,327	3,657	4,047
24,613	25,153	19,614	16,268	11,269	9,265
7,922	4,884	5,169	6,033	19,122	23,981
1,919	1,055	1,055	1,109	1,446	955
38,091	49,765	61,023	73,211	67,801	65,899
151,811	136,881	111,372	111,568	112,071	92,810
0	0	0	289	64	0
<u>\$240,687</u>	<u>\$232,722</u>	<u>\$207,547</u>	<u>\$221,477</u>	<u>\$220,859</u>	<u>\$204,634</u>
<u>\$2,295,859</u>	<u>\$2,169,879</u>	<u>\$2,380,668</u>	<u>\$2,331,249</u>	<u>\$2,118,906</u>	<u>\$2,070,847</u>

Indiana State Teachers' Retirement Fund

SCHEDULE OF INVESTMENT EXPENSES

	2000	1999	1998	1997
Custodial				
National City Corporation	\$2,035,330	\$187,281	\$200,563	\$178,519
NBD, N.A.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Custodial	<u>2,035,330</u>	<u>187,281</u>	<u>200,563</u>	<u>178,519</u>
Management				
Fixed Income Managers				
Alliance Capital Mgmt.	385,852	493,196	394,335	233,548
Alpha Capital Mgmt.	0	0	0	0
Bank One, Indiana	152,148	293,385	285,716	211,177
Bank of New York	192,167	212,761	214,737	200,478
Baxter Capital Mgmt.	153,263	157,425	150,800	141,622
Merchants Capital Mgmt..	0	0	17,687	33,114
Reams Asset Mgmt.	742,704	459,445	342,431	251,939
Seix Investment Advisors	59,439	58,781	54,988	12,844
Tapli, Canida, Habacht	101,274	115,564	130,494	112,077
Todd Investment Advisor	111,607	118,251	125,677	119,597
NBD Bank	0	213,727	306,980	256,274
Equity Managers				
Barclays	204,502	100,899	0	0
Rhumbline	23,100	0	0	0
J.P Morgan	498,191	120,443	0	0
PIMCO	431,554	22,000	0	0
Conseco Capital Mgmt.	107,476	0	0	0
Putnam Investments	164,939	0	0	0
Franklin Portfolio Assoc.	70,936	0	0	0
Valenzuela Capital Partners	166,309	0	0	0
Ariel	379,620	220,843	0	0
Brandywine	383,645	234,271	0	0
AELTUS	817,179	218,259	0	0
TCW	1,160,483	429,752	0	0
Alliance	101,434	0	0	0
Bank of Ireland	601,073	285,356	0	0
DRESDNER	624,020	332,556	0	0
Total Management	<u>7,632,914</u>	<u>4,086,914</u>	<u>2,023,846</u>	<u>1,572,670</u>
Consultants				
Callan Associates	203,000	193,000	229,000	44,750
The Wyatt Co.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Consultant	<u>203,000</u>	<u>193,000</u>	<u>229,000</u>	<u>44,750</u>
Performance Measurement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Checking Account Charges	<u>22,504</u>	<u>18,112</u>	<u>32,704</u>	<u>31,636</u>
Monthly Transaction Tape	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Investment Expenses	<u>\$9,893,748</u>	<u>\$4,485,307</u>	<u>\$2,486,113</u>	<u>\$1,827,575</u>

Indiana State Teachers' Retirement Fund

1996	1995	1994	1993	1992	1991
\$79,674	\$0	\$0	\$0	\$0	\$0
<u>104,104</u>	<u>199,939</u>	<u>196,997</u>	<u>178,925</u>	<u>175,143</u>	<u>170,557</u>
<u>183,778</u>	<u>199,939</u>	<u>196,997</u>	<u>178,925</u>	<u>175,143</u>	<u>170,557</u>
219,449	199,459	196,484	182,582	163,828	143,702
23,435	31,779	30,954	26,839	0	0
195,620	183,290	179,505	169,596	154,885	137,344
195,765	182,549	180,585	171,454	157,290	140,148
130,409	123,981	121,937	117,704	109,295	97,354
31,561	28,728	27,982	25,706	22,870	15,002
132,961	110,022	107,345	67,726	0	0
0	0	0	0	0	0
71,999	65,704	64,783	55,445	0	0
117,239	112,796	112,128	107,663	100,614	90,591
271,173	203,655	212,387	208,484	210,472	208,500
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,389,611</u>	<u>1,241,963</u>	<u>1,234,090</u>	<u>1,133,200</u>	<u>919,254</u>	<u>832,641</u>
18,000	0	0	0	0	0
0	0	0	0	17,500	0
<u>18,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,500</u>	<u>0</u>
0	0	1,000	4,000	4,000	4,000
0	53,639	57,722	53,631	32,872	31,510
600	1,800	1,200	1,200	1,200	1,200
0	84	3	1,239	381	1,370
<u>\$1,591,989</u>	<u>\$1,497,425</u>	<u>\$1,491,012</u>	<u>\$1,372,195</u>	<u>\$1,150,350</u>	<u>\$1,041,278</u>

Indiana State Teachers' Retirement Fund

Number of Payees Receiving Benefits Fiscal Year Ending - June 30

Gross Benefit Amount	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
0.01 - 100.00	304	350	359	367	378	379	374	386	376	355
100.01 - 200.00	1,097	1,278	1,320	1,439	1,558	1,674	1,796	1,903	1,918	1,933
200.01 - 300.00	1,617	1,877	1,935	2,055	2,203	2,308	2,430	2,555	2,643	2,705
300.01 - 400.00	1,790	2,011	2,119	2,232	2,400	2,541	2,677	2,854	2,948	3,023
400.01 - 500.00	1,871	2,052	2,127	2,262	2,424	2,549	2,682	2,804	2,870	2,932
500.01 - 600.00	1,895	2,083	2,160	2,287	2,384	2,482	2,604	2,723	2,778	2,830
600.01 - 700.00	2,010	2,049	2,114	2,175	2,246	2,291	2,347	2,379	2,439	2,482
700.01 - 800.00	1,856	1,944	1,977	2,051	2,113	2,157	2,148	2,185	2,235	2,265
800.01 - 900.00	1,826	1,838	1,862	1,930	1,971	1,986	1,978	1,979	1,979	1,994
900.01 - 1,000.00	1,878	1,870	1,873	1,845	1,841	1,769	1,755	1,678	1,656	1,613
1,000.01 - 1,100.00	1,953	1,840	1,801	1,731	1,644	1,575	1,462	1,386	1,329	1,264
1,100.01 - 1,200.00	1,904	1,776	1,684	1,524	1,418	1,303	1,153	1,036	970	908
1,200.01 - 1,300.00	1,764	1,570	1,480	1,378	1,284	1,157	1,040	956	870	768
1,300.01 - 1,400.00	1,694	1,503	1,393	1,254	1,134	1,005	852	718	627	539
1,400.01 - 1,500.00	1,500	1,310	1,185	1,076	963	821	671	570	505	430
1,500.01 - 1,600.00	1,387	1,167	1,043	885	779	658	557	451	370	283
1,600.01 - 1,700.00	1,159	991	879	742	638	525	461	388	318	235
1,700.01 - 1,800.00	977	859	770	698	595	507	427	330	258	185
1,800.01 - 1,900.00	915	787	709	615	525	439	349	258	192	128
1,900.01 - 2,000.00	736	639	579	503	396	324	241	194	140	93
2,000.01 - 2,100.00	617	519	458	403	345	296	224	163	125	90
2,100.01 - 2,200.00	521	453	381	333	265	187	138	91	63	37
2,200.01 - 2,300.00	414	326	294	225	157	116	91	69	50	26
2,300.01 - 2,400.00	310	247	208	181	144	97	65	48	33	23
2,400.01 - 2,500.00	232	198	172	136	92	69	55	36	26	13
2,500.01 - 2,600.00	169	133	120	81	61	44	31	19	17	6
2,600.01 - 2,700.00	127	104	93	62	50	34	32	15	9	7
2,700.01 - 2,800.00	96	72	62	62	28	16	10	8	4	3
2,800.01 - 2,900.00	72	52	41	38	25	25	15	9	5	2
2,900.01 - 3,000.00	52	48	40	30	18	12	6	1	1	2
3,000.01 - 3,100.00	30	25	24	19	17	6	0	1	1	1
3,100.01 - 3,200.00	31	22	22	10	4	4	3	2	1	0
3,200.01 - 3,300.00	19	11	9	8	5	4	3	1	1	0
3,300.01 - 3,400.00	10	13	9	7	7	4	4	2	0	0
3,400.01 - 3,500.00	14	8	7	6	8	5	1	1	1	1
3,500.01 - 3,600.00	11	15	15	7	3	0	1	0	0	0
3,600.01 - 3,700.00	5	2	1	2	1	1	0	0	0	0
3,700.01 - 3,800.00	4	3	1	0	1	1	0	1	1	1
3,800.01 - 3,900.00	3	1	0	1	1	1	1	0	0	0
3,900.01 - 4,000.00	5	2	2	2	2	0	0	0	0	0
4,000.01 - or more	9	7	4	3	2	0	0	0	0	0
<u>Total</u>	<u>32,884</u>	<u>32,055</u>	<u>31,332</u>	<u>30,665</u>	<u>30,130</u>	<u>29,372</u>	<u>28,684</u>	<u>28,200</u>	<u>27,759</u>	<u>27,177</u>

Indiana State Teachers' Retirement Fund

Number of Approved Benefit Payments Fiscal Year Ending - June 30

Type of Payment	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Retirement (Including Disability/Survivorship)	1,801	1,828	1,692	1,593	1,748	1,654	1,464	1,169	1,350	1,509
Regular Disability	6	3	8	8	3	3	4	6	14	16
Voluntary Withdrawals	7,896	1,855	1,357	1,186	1,272	1,384	3,722	1,269	1,481	1,245
Death Withdrawals	94	115	97	101	138	122	132	116	99	60

Rate of Investment Earnings Distribution Fiscal Year Ending - June 30

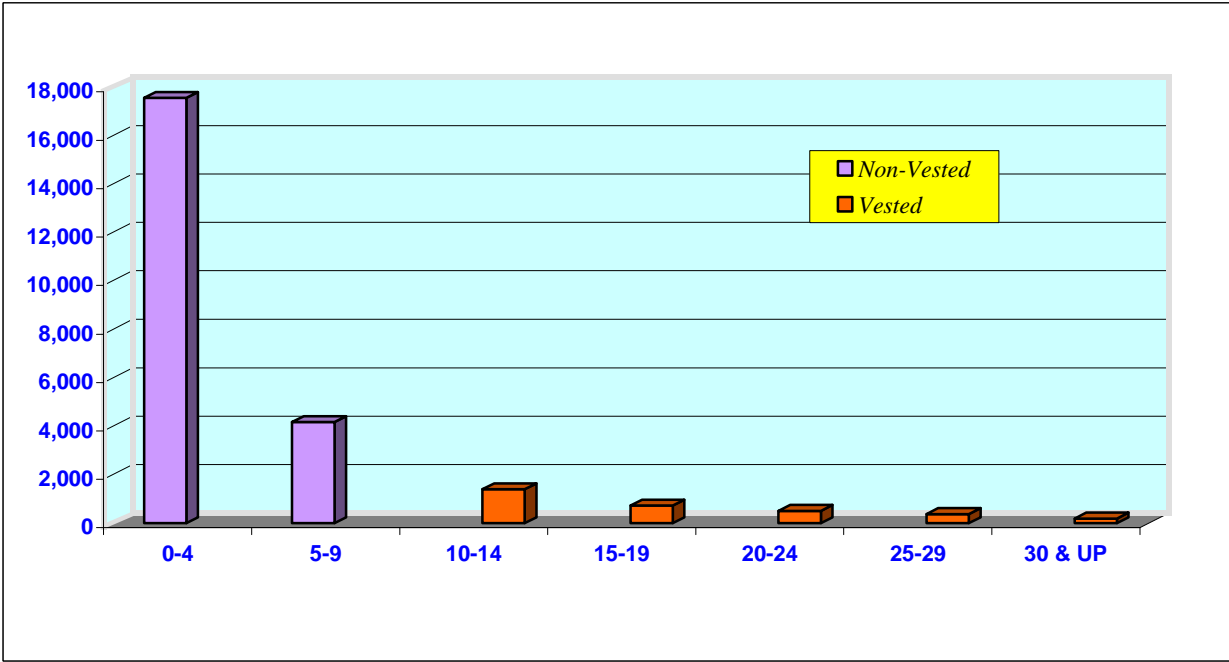
Investment Options	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Guaranteed Fund	7.75%	8.00%	8.00%	8.50%	9.00%	9.00%	9.00%	10.00%	10.00%	10.00%
Bond Fund	5.99%	4.49%	10.05%	7.13%	4.30%	11.19%	(0.84)%	12.34%	14.00%	11.13%
Money-Market*	n/a	n/a	6.06%	6.03%	5.90%	6.43%	3.35%	4.62%	7.24%	8.62%
S & P 500 Index	7.21%	36.37%**								
Small Cap	38.65%	34.66%**								
International	26.27%	29.74%**								

* Money-Market is no longer available as an investment option.

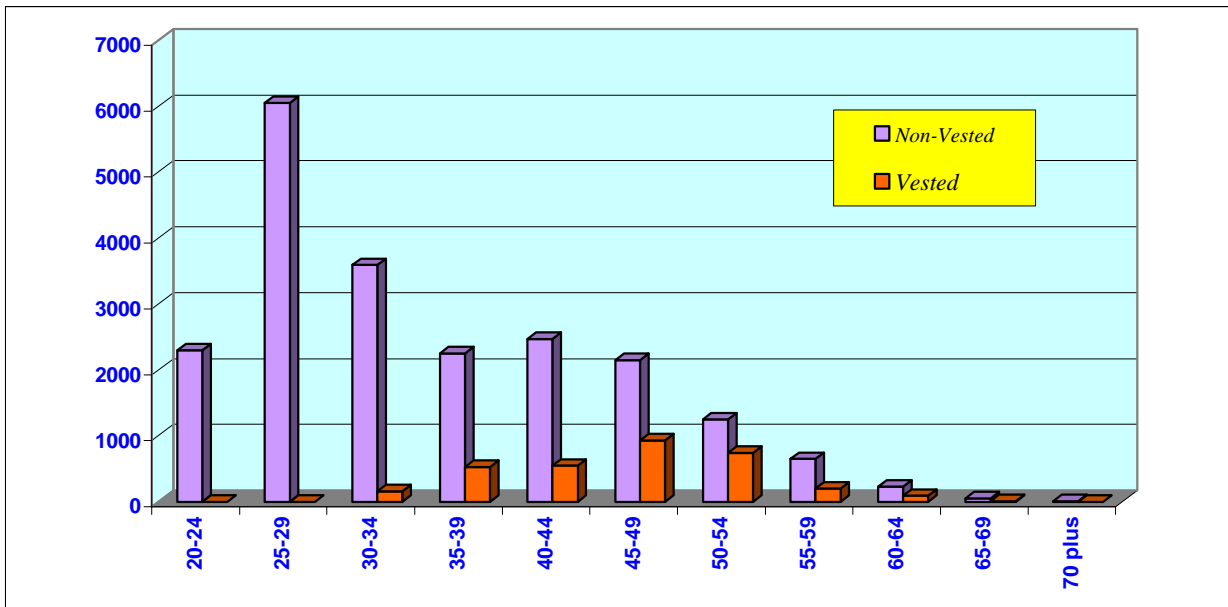
**From inception of 10/01/98 thru 06/30/99.

NEW PLAN ACTIVE MEMBERS

By Years of Service: As of June 30, 2000



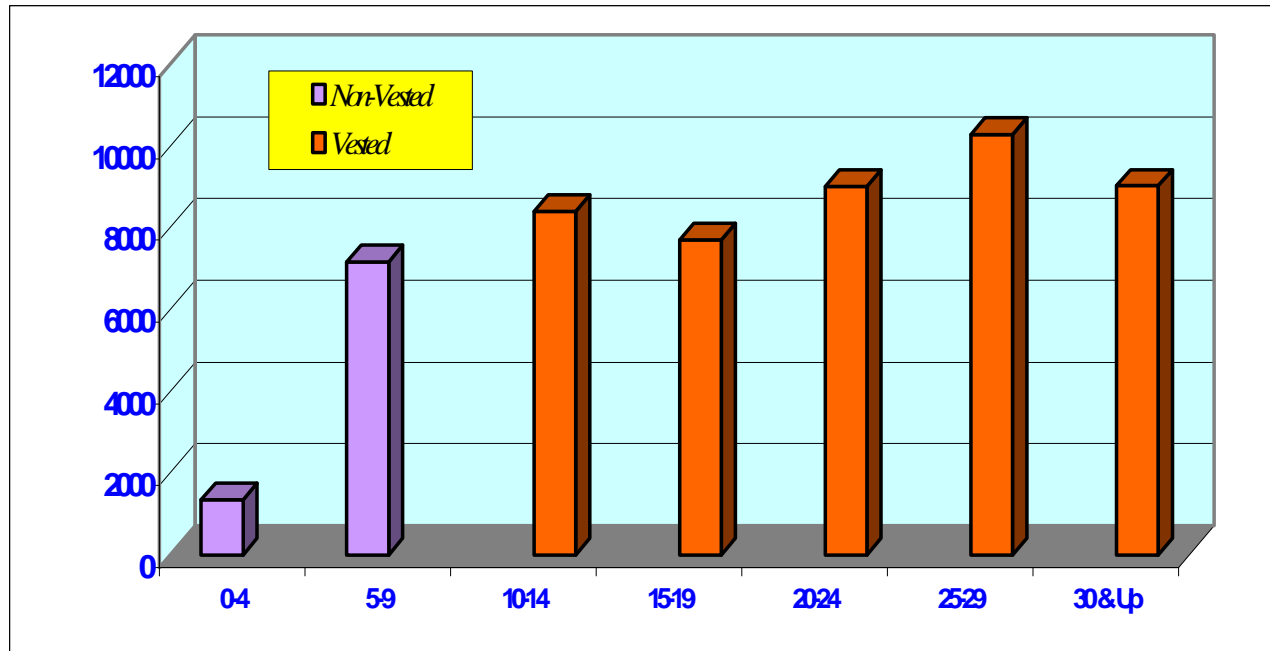
By Age: As of June 30, 2000



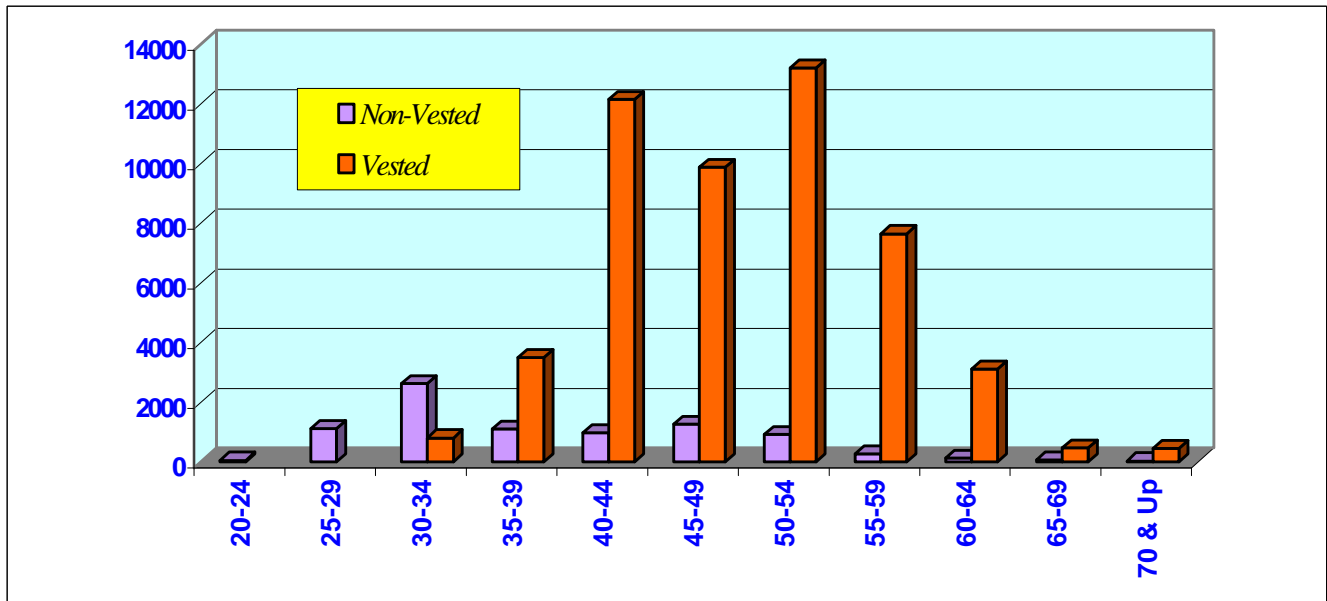
Total Non-Vested : 21,740
 Total Vested: 3,210
Total New Plan Members: 24,950

CLOSED PLAN ACTIVE MEMBERS

By Years of Service: As of June 30, 2000



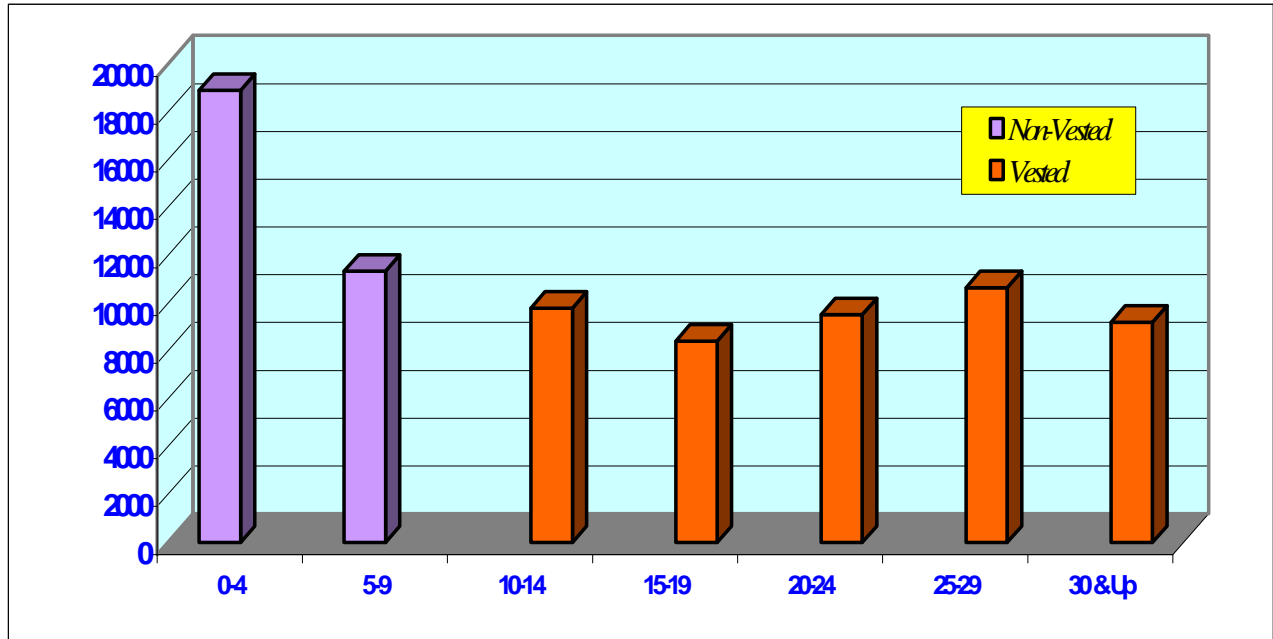
By Age: As of June 30, 2000



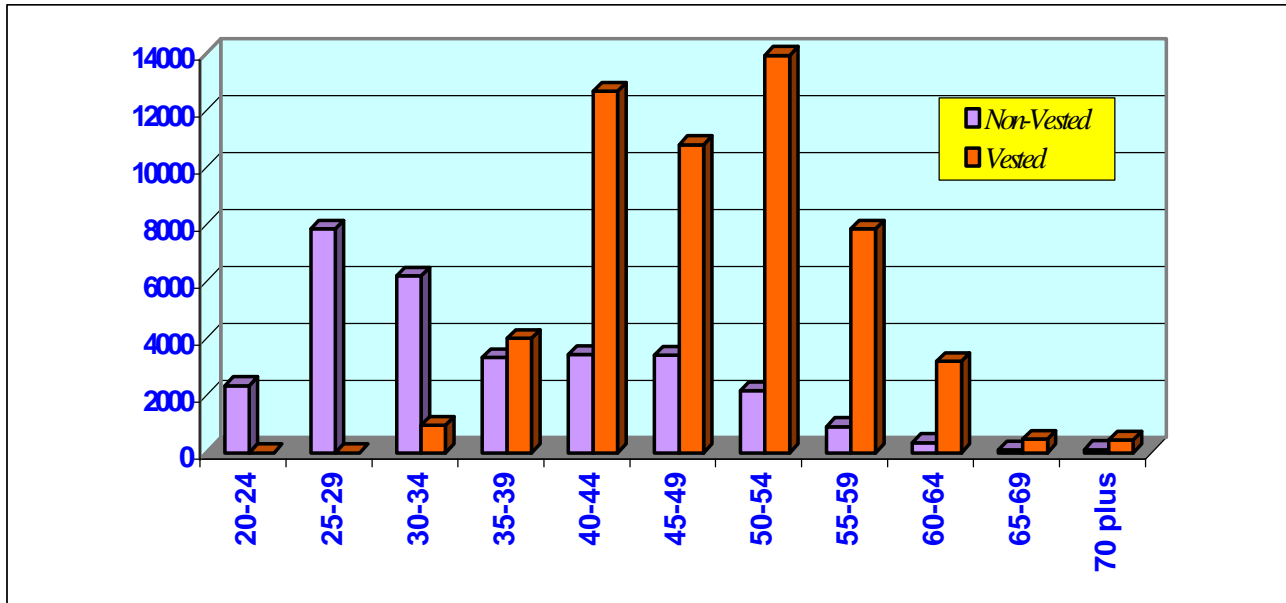
Total Non-Vested: 8,520
Total Vested: 44,400
Total Closed Plan Active Members: 52,920

TOTAL ACTIVE MEMBERS

By Years of Service: As of June 30, 2000



By Age: As of June 30, 2000



Total Non-Vested: 30,260
 Vested: 47,610
Total Active Members: 77,870

Actuarial Report



GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

March 15, 2001

The Board of Trustees
Indiana State Teachers' Retirement Fund
Indianapolis, Indiana

Ladies and Gentlemen:

We hereby certify that the actuarial valuations of active and retired lives of the Indiana State Teachers' Retirement Fund, as of June 30, 2000 were made in accordance with generally recognized actuarial methods.

It is our opinion that the actuarial information contained in the valuation report is complete and accurate, being based upon the following:

- (i) Data furnished by the Director of ISTRF concerning active and inactive members, retirants, beneficiaries and financial information. This data was not audited by us but was checked for completeness, reasonableness and year-to-year consistency.
- (ii) Assumptions, adopted by the Board of Trustees after consultation with the actuary, which relate to the experience of the Fund and produce results which we believe are reasonable.

The results of the valuation as shown in our report reflect that employer contributions have been based on amounts needed for cash benefit payments.

A sound financial objective is to contribute amounts which, expressed as percents of active member payroll, will remain level from generation to generation of Indiana citizens, pursuant to IC Sec. 5-10.2-2-11. State legislation enacted in 1993 implements this financial objective for teachers hired after June 30, 1995. The actuarial valuation was made in accordance with the principles of this financial objective.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Brian F. Dunn'.

Brian F. Dunn, ASA, MAAA, EA

BFD:ct

ACTUARIAL REPORT - ANNUAL REPORT 2000
SUMMARY OF VALUATION RESULTS
JUNE 30, 2000

I. Unfunded Actuarial Accrued Liabilities

Accrued liabilities are the present value of benefits the Fund promises to pay in the future based upon service already rendered - a liability has been established ("accrued") because the service has been rendered, but the resulting monthly cash benefits may not be payable until years in the future.

If accrued liabilities at any time exceed the Fund's accrued assets (cash and investments), the difference is unfunded accrued liabilities.

Actuarial Accrued Liabilities: Computed & Unfunded

Amounts at June 30, 2000	Closed Plan	New Plan	ISTRF Total
Computed accrued liability	\$12,409,275,218	\$705,790,225	\$13,115,065,443
Reported assets	<u>5,209,889,286</u>	<u>368,157,499</u>	<u>5,578,046,785</u>
Unfunded Accrued Liability	\$ 7,199,385,932	\$337,632,726	\$ 7,537,018,658

**ACTUARIAL REPORT - ANNUAL REPORT 2000
SUMMARY OF VALUATION RESULTS
(CONTINUED)
JUNE 30, 2000**

II. Computed Employer Contribution Rates - June 30, 2000

Contributions for	Employer Contributions As %'s of Active Payroll	
	Closed Plan	New Plan
	39 Year Amortization of UAAL	39 Year Amortization of UAAL
Normal Cost:		
Age & service pensions	7.05%	7.28%
Disability & death-in-service	<u>0.34</u>	<u>0.33</u>
Totals	7.39	7.61
Unfunded Actuarial Accrued Liability (UAAL):		
Active and inactive vested members	8.21	1.93
Retirants & beneficiaries	<u>1.95</u>	<u>0.00</u>
Totals	10.16	1.93*
Computed Employer Contribution Rates	<u>17.55%</u>	<u>9.54%</u>

* This contribution is primarily attributable to members with prior service. Additional funding for the New Plan may be required based on future experience concerning liabilities transferred as a result of prior service.

ACTUARIAL REPORT - ANNUAL REPORT 2000
SUMMARY OF VALUATION RESULTS
(CONTINUED)
JUNE 30, 2000

III. Test of Financial Condition

If the contributions to ISTRF are level in concept and soundly executed, the Fund will pay all promised benefits when due - the ultimate indicator of financial soundness.

One short-term means of checking a fund's progress under its funding program is shown below. In this indicator, the fund's present assets (cash and investments) are compared with:

- 1) active member contributions on deposit;
- 2) liability for future benefits to present retired lives; and
- 3) liability for service already rendered by active members.

In a fund that has been following the discipline of level percent-of-payroll financing, liability for active member contributions on deposit (liability 1) and liability for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, liability for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The state's past practice of contributing on a pay-as-you-go basis has resulted in Liability 2 being less than 100% funded in the Closed Plan.

Closed Plan
Actuarial Accrued Liability - Percent Funded

June 30	Computed Actuarial Accrued Liability				Portion of Accrued Liability Covered by Assets		
	(1) Member Contr.	(2) Retired Lives	(3) Present Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
1980	\$ 373	\$ 838	\$1,632	\$ 539	100%	18%	0%
1981	423	885	1,649	601	100	20	0
1983*	544	1,043	1,751	764	100	21	0
1985	713	1,198	2,112	1,073	100	30	0
1987	932	1,406	2,499	1,401	100	33	0
1989#	1,132	1,624	3,449	1,707	100	35	0
1991	1,373	1,853	3,956	2,161	100	43	0
1992*	1,521	2,059	4,369	2,376	100	42	0
1993	1,665	2,290	4,553	2,592	100	41	0
1994	1,812	2,483	4,792	2,808	100	40	0
1995	1,930	2,716	5,029	2,984	100	39	0
1996	2,070	2,968	5,245	3,242	100	39	0
1997*	2,188	3,234	5,447	3,678	100	46	0
1998	2,374	3,479	5,629	4,130	100	50	0
1999	2,500	3,659	6,014	4,731	100	61	0
2000	2,699	3,890	5,819	5,210	100	65	0

* Revised assumptions.

Legislated benefit increase.

ACTUARIAL REPORT - ANNUAL REPORT 2000
SUMMARY OF VALUATION RESULTS
(CONTINUED)
JUNE 30, 2000

IV. Valuation Data

The June 30, 2000 actuarial valuation was based on the following data:

	Retirants and Beneficiaries		Inactive Members	
	Number	Annual Allowances	Number	Salary at Termination
Closed Plan	32,818	\$424,117,440	4,065	\$134,233,469
New Plan	<u>60</u>	<u>839,904</u>	<u>266</u>	<u>9,520,807</u>
Totals	32,878	\$424,957,344	4,331	\$143,754,276

Active Members

	Number	Annual Payroll	Averages*	
			Age	Service
Closed Plan	52,920	\$2,561,532,743	48.2 yrs.	20.1 yrs.
New Plan	<u>24,950</u>	<u>631,071,749</u>	36.4	4.7
Totals	77,870	\$3,192,604,492		

* Averages are not used in the valuation process but are shown for general interest.

Financial Information

Reserve Allocation	Closed Plan	New Plan	Totals
Member Reserves:			
Active and Inactive	\$2,699,418,476	\$195,106,376	\$2,894,524,852
Retired	<u>648,366,105</u>	<u>1,126,062</u>	<u>649,492,167</u>
Totals	\$3,347,784,581	\$196,232,438	\$3,544,017,019
Employer Reserves:			
Active	\$ -	\$164,372,009	\$ 164,372,009
Retired:			
Pension Stabilization Fund	1,672,647,180		1,672,647,180
Other	<u>189,457,525</u>	<u>7,553,052</u>	<u>197,010,577</u>
Totals	\$1,862,104,705	\$ 7,553,052	\$1,869,657,757
Total Employer Reserves	\$1,862,104,705	\$171,925,061	\$2,034,029,766
Total Reserves	\$5,209,889,286	\$368,157,499	\$5,578,046,785

***New Plan
Actuarial Accrued Liability - Percent Funded***

<u>Computed Actuarial Accrued Liability</u>					<u>Portion of Accrued Liability Covered by Assets</u>		
	(1)	(2)	(3)				
	Member	Retired	Present Members	Valuation			
	Contr.	Lives	(Employer	Assets	(1)	(2)	(3)
June 30			Financed Portion)				
1996	\$14	\$0.3	\$ 33	\$21	100%	100%	21%
1997*	46	0.4	130	72	100	100	20
1998	74	2.6	222	136	100	100	27
1999	126	3.9	369	240	100	100	30
2000	195	9.8	502	368	100	100	33

* *Revised assumptions.*

The excess of accrued liability over valuation assets reflects the inclusion of new hires with prior service credit.

**GASB STATEMENT NO. 25
REQUIRED SUPPLEMENTARY INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date;	June 30, 2000
Actuarial Cost Method	Entry-Age
Amortization method	Level percent closed
Amortization period	39 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5.5%-10.6%
*Includes inflation at	5.5%
Cost-of-living adjustments	Unscheduled increases periodically

Membership of the plan consisted of the following at June 30, 2000, the date of the latest actuarial valuation:

	<u>Closed Plan</u>	<u>New Plan</u>	<u>Totals</u>
Retirees and beneficiaries receiving benefits	32,818	60	32,878
Terminated plan members entitled to but not yet receiving benefits	4,065	266	4,331
Active plan members	<u>52,920</u>	<u>24,950</u>	<u>77,870</u>
Totals	89,803	25,276	115,079

**GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED SUPPLEMENTARY INFORMATION**

Closed Plan

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Schedule of Funding Progress			Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Actuarial Accrued Liability (AAL) -- Entry-Age -- (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)		
1992*	\$2,376,039,915	\$ 7,949,159,660	\$5,573,119,745	29.9%	\$2,416,262,885	230.7%
1993	2,592,320,494	8,508,035,949	5,915,715,450	30.5	2,536,164,646	233.3
1994	2,808,649,929	9,087,583,424	6,278,933,495	30.9	2,614,914,517	240.1
1995	2,983,579,054	9,674,536,606	6,690,957,552	30.8	2,728,810,964	245.2
1996	3,242,032,156	10,283,174,065	7,041,141,909	31.5	2,805,823,234	250.9
1997*	3,678,102,810	10,868,423,166	7,190,320,356	33.8	2,739,435,972	262.5
1998	4,130,388,693	11,481,766,668	7,351,377,975	36.0	2,699,182,719	272.4
1999	4,730,666,420	12,172,501,450	7,441,835,030	38.9	2,755,489,026	270.1
2000	5,209,889,286	12,409,275,218	7,199,385,932	42.0	2,561,532,743	281.1

* Revised benefits and/or actuarial assumptions and/or methods.

Schedule of Employer Contributions

Fiscal Year	Valuation Date June 30	Contribution Rates as Percents of Valuation Payroll	Annual Required Contribution	Percentage Contributed
92/93	1992	16.32%	\$416,022,498	59%
93/94	1993	16.31	436,399,180	61
94/95	1994	16.56	456,846,570	63
95/96	1995	16.74	481,927,124	65
96/97	1996	16.96	502,040,298	n.a.
97/98	1997	16.77	484,670,600	n.a.
98/99	1998	17.10	486,946,058	n.a.
99/00	1999	17.02	494,778,365	n.a.
00/01	2000	17.55	474,274,191	n.a.

**GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED SUPPLEMENTARY INFORMATION**

New Plan

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Schedule of Funding Progress			Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Actuarial Accrued Liability (AAL) -- Entry-Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)		
1996	\$ 20,587,223	\$ 47,614,251	\$ 27,027,028	43.2%	\$ 72,506,252	37.3%
1997	72,035,629	176,236,990	104,201,361	40.9	245,167,941	42.5
1998	135,923,370	298,407,427	162,484,057	45.5	395,757,887	41.1
1999	240,053,914	498,422,993	258,369,079	48.2	538,837,104	48.0
2000	368,157,499	705,790,225	337,632,726	52.2	631,071,749	53.5

Schedule of Employer Contributions

Year Ended June 30	Contribution Rates as Percents of Valuation Payroll	Annual Required Contribution	Percentage Contributed
1996	9.02%	\$ 6,899,767	n.a.%
1997	9.12	23,589,079	n.a.
1998	9.07	37,869,479	n.a.
1999	9.28	52,754,308	n.a.
2000	9.54	63,515,478	n.a.

Investment Section

Indiana State Teachers' Retirement Fund

Investment Managers

Fiscal Year Ending 6/30/2000

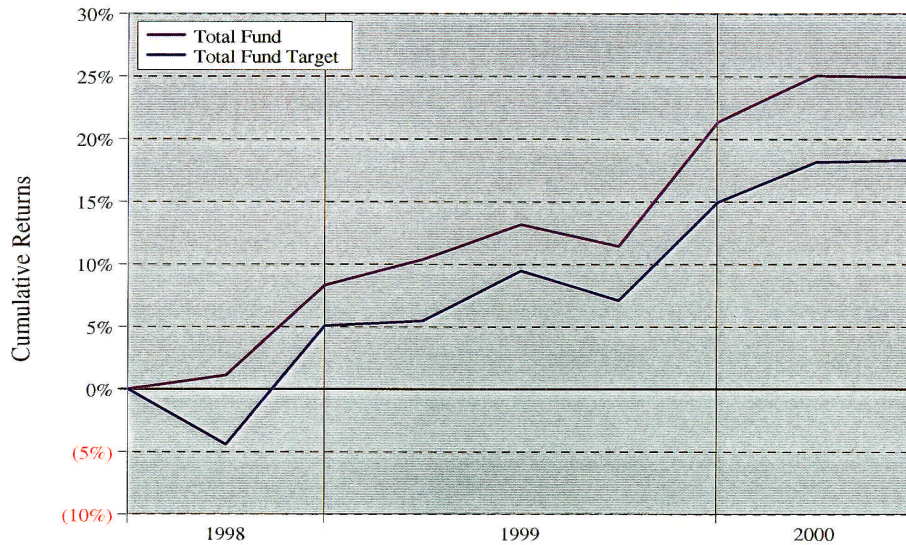
	Cost Value	Market Value	%
Custodial			
National City Bank	\$98,617,769.55	\$98,607,039.31	\$0.02
NBD, NA	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Custodial	<u>98,617,770</u>	<u>98,607,039</u>	<u>1.78%</u>
Management			
Fixed Income Managers			
<i>Alliance Capital Mgmt.</i>	568,476,547	597,229,046	10.79%
<i>Alpha Capital Mgmt.</i>	0	0	0.00%
<i>Bank One, Indiana</i>	544,117,948	533,877,343	9.64%
<i>Bank of New York</i>	541,132,086	536,102,010	9.68%
<i>Baxter Capital Mgmt.</i>	433,369,029	416,889,833	7.53%
<i>Merchants Capital Mgmt.</i>	0	0	0.00%
<i>Reams Asset Mgmt.</i>	605,827,537	599,404,150	10.83%
<i>Seix Investment Advisors</i>	29,678,825	29,670,366	0.54%
<i>Taplin, Canida & Habacht</i>	62,330,858	58,392,721	1.05%
<i>Todd Investment Advisors</i>	213,944,571	208,774,545	3.77%
<i>NBD Bank</i>	0	0	0.00%
Equity Managers			
<i>Barclays</i>	884,270,268	1,089,568,615	19.68%
<i>Rhumblin</i>	90,576,405	92,805,057	1.68%
<i>J.P. Morgan</i>	157,446,403	183,459,401	3.31%
<i>PIMCO</i>	92,666,670	92,454,148	1.67%
<i>Conseco Capital Mgmt.</i>	25,772,159	27,044,525	0.49%
<i>Putnam Investments</i>	39,686,672	45,593,504	0.82%
<i>Franklin Portfolio Assoc.</i>	37,842,986	40,548,934	0.73%
<i>Valenzuela Capital Partners</i>	39,039,574	41,587,988	0.75%
<i>Ariel</i>	114,863,153	117,252,979	2.12%
<i>Brandywine</i>	110,618,166	102,912,248	1.86%
<i>Aeltus</i>	104,811,419	118,605,494	2.14%
<i>TCW</i>	79,649,218	149,857,980	2.71%
<i>Alliance</i>	92,014,338	113,086,511	2.04%
<i>Bank of Ireland</i>	99,711,511	117,712,938	2.13%
<i>DresdnerRCM</i>	<u>100,014,971</u>	<u>124,877,288</u>	<u>2.26%</u>
Total Management	<u>\$5,166,479,082</u>	<u>\$5,536,314,662</u>	<u>100.00%</u>

Detailed holdings of each individual investment manager are available upon request.

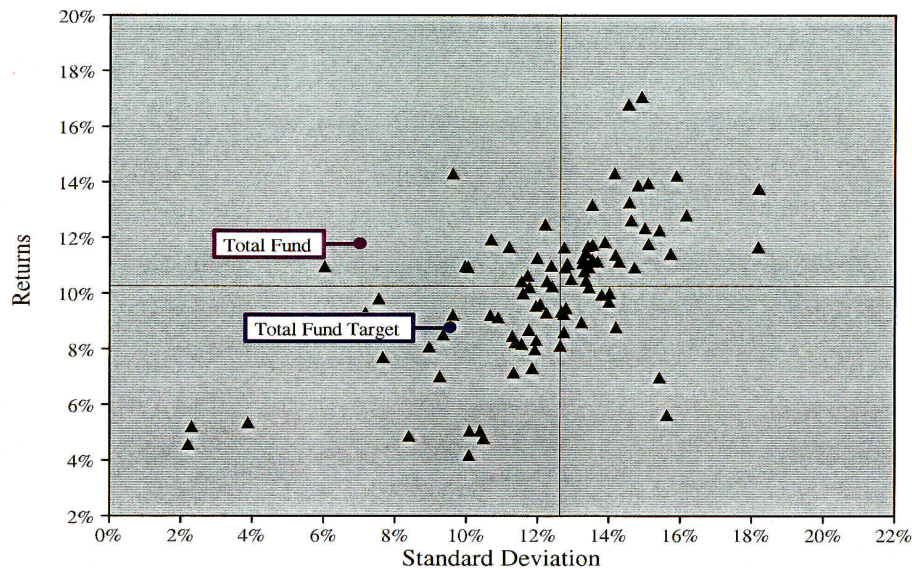
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the plans in the Public Plan Sponsor Database.

Cumulative Returns Actual vs Target



Two Year Annualized Risk vs Return



Triangles represent membership of the Public Plan Sponsor Database

* Current Quarter Target = 5.0% Russell 2000, 5.0% S&P MidCap, 48.0% L/B Agg, 6.0% Wilshire RE, 10.0% EAFE and 26.0% S&P 500.

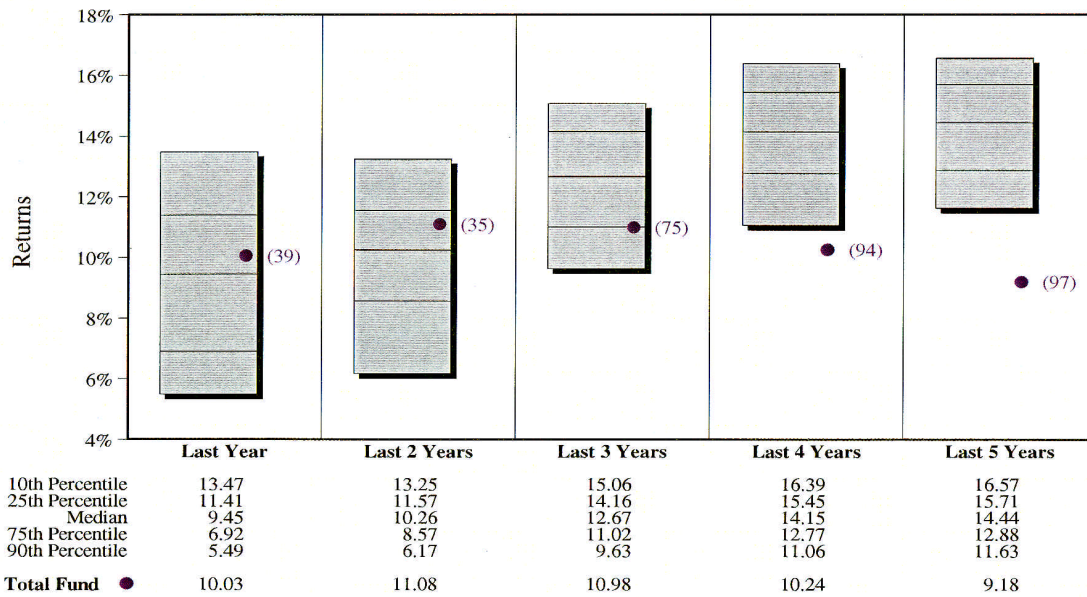
Indiana State Teachers' Retirement Fund (Employer Asset)

Indiana State Teachers' Retirement Fund

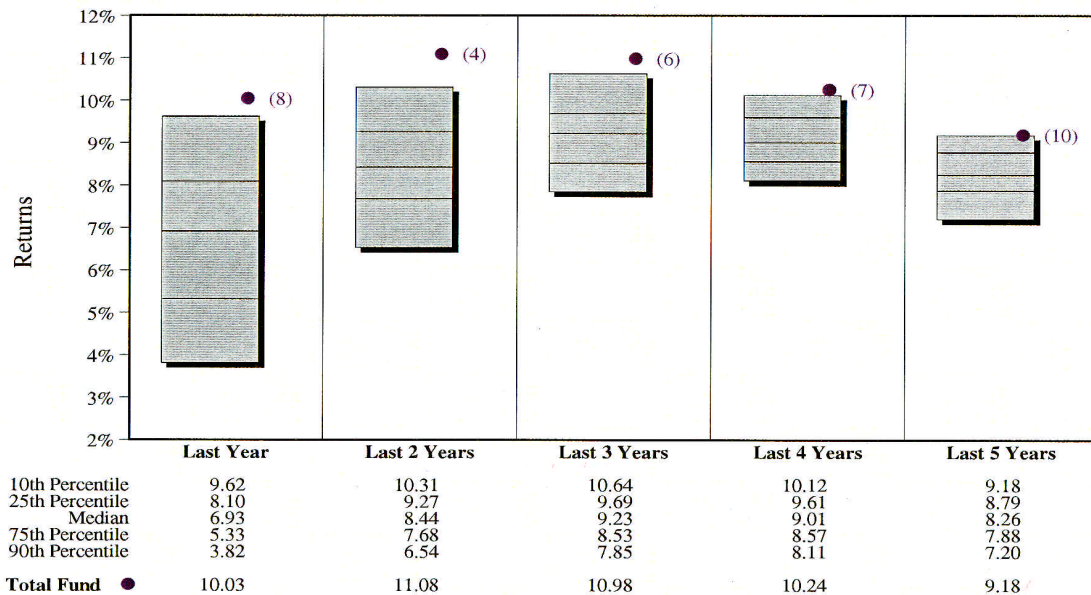
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the Public Plan Sponsor Database for periods ended June 30, 2000. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund.

Public Plan Sponsor Database



Asset Allocation Adjusted Ranking



**TOTAL EQUITY
PERIOD ENDED JUNE 30, 2000**

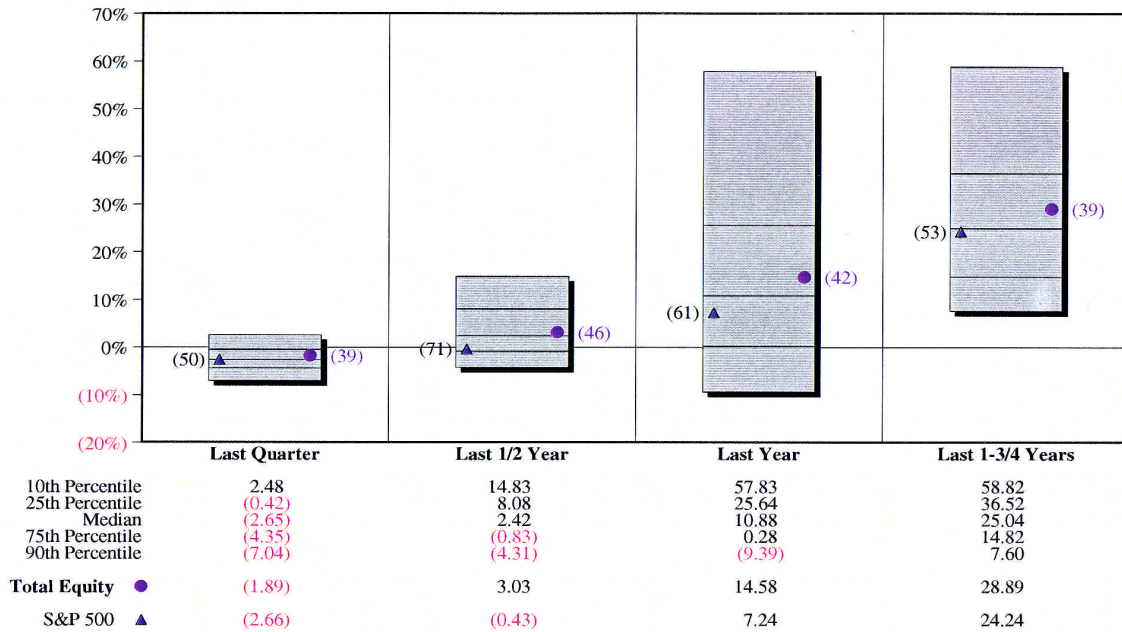
Investment Philosophy

The Total Equity Database is a broad collection of actively managed separate account domestic equity products. Equity funds concentrate their investments in common stocks and convertible securities. Funds included maintain well-diversified portfolios.

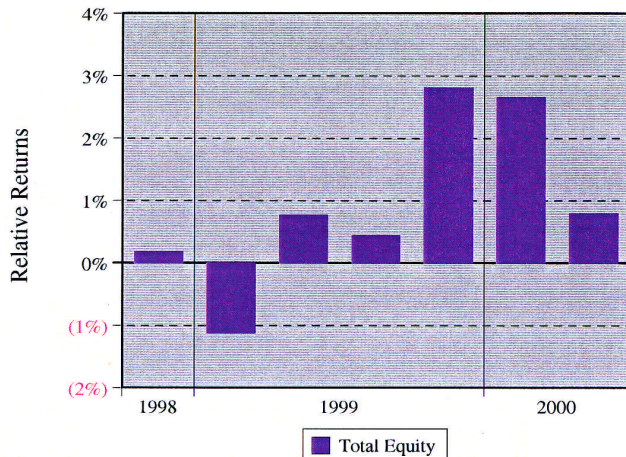
Quarterly Summary and Highlights

- Total Equity's portfolio posted a (1.89)% return for the quarter placing it in the 39 percentile of the Domestic Equity Database group for the quarter and in the 42 percentile for the last year.
- Total Equity's portfolio outperformed the S&P 500 by 0.77% for the quarter and outperformed the S&P 500 for the year by 7.33%.

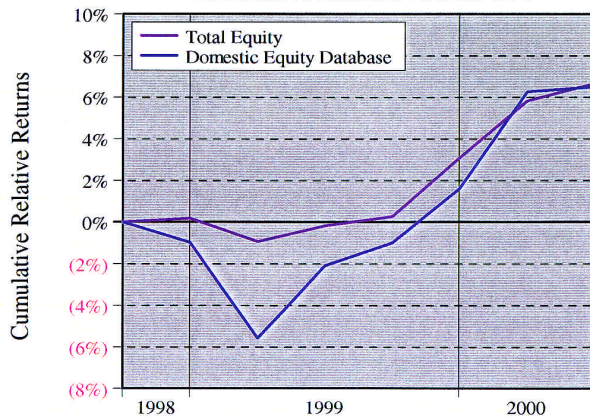
Performance vs Domestic Equity Database



Relative Return vs S&P 500



Cumulative Returns vs S&P 500



**TOTAL FIXED-INCOME
PERIOD ENDED JUNE 30, 2000**

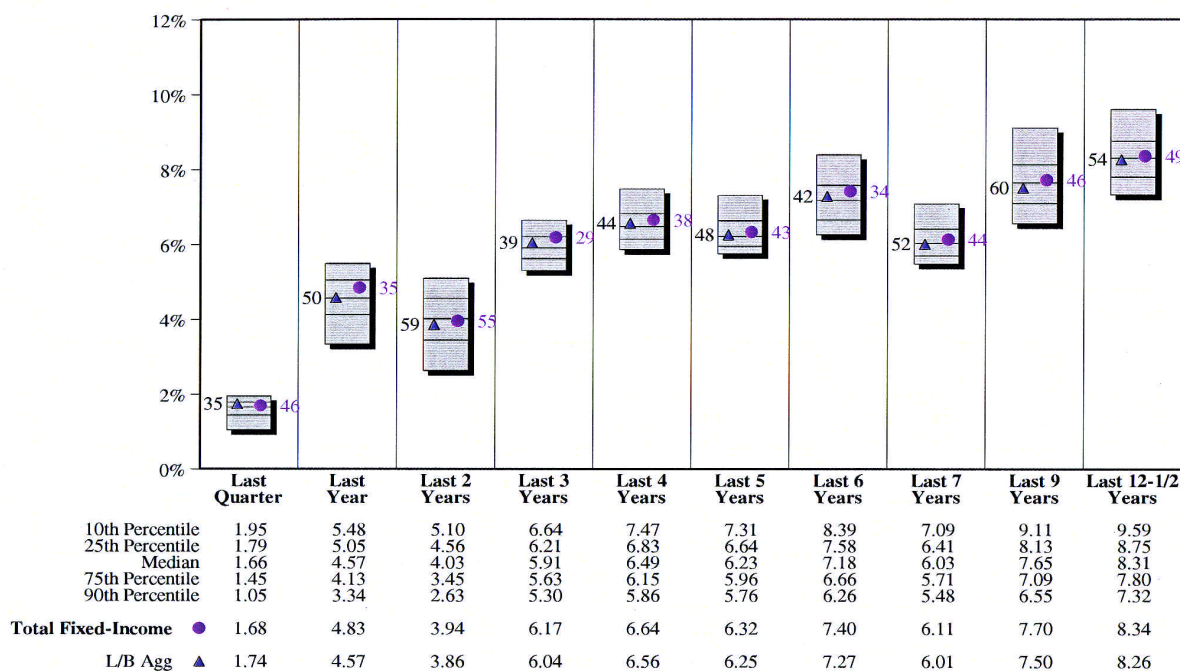
Investment Philosophy

The Total Fixed-Income Database is a broad collection of separate account domestic fixed-income products. Fixed-Income funds concentrate their investments in bonds, preferred stocks, and money market securities.

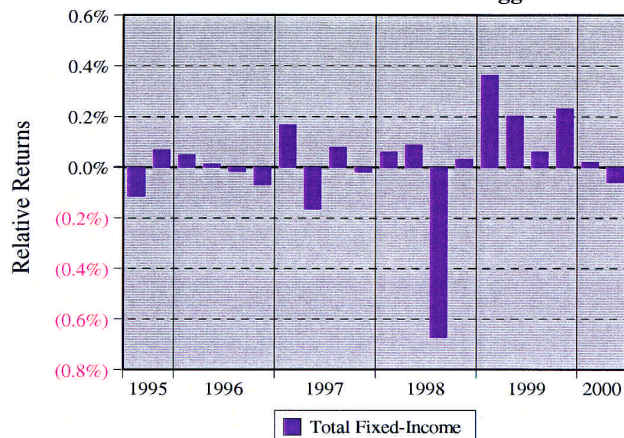
Quarterly Summary and Highlights

- Total Fixed-Income's portfolio posted a 1.68% return for the quarter placing it in the 46 percentile of the Domestic Fixed-Income Database group for the quarter and in the 35 percentile for the last year.
- Total Fixed-Income's portfolio underperformed the L/B Agg by 0.06% for the quarter and outperformed the L/B Agg for the year by 0.26%.

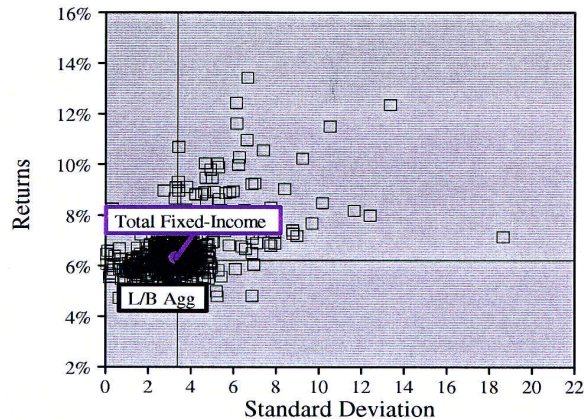
Performance vs Domestic Fixed-Income Database



Relative Return vs L/B Agg



**Domestic Fixed-Income Database
Annualized Five Year Risk vs Return**



Indiana State Teachers' Retirement Fund

Investment Manager Returns

The table below details the rates of return for the plan's investment managers over various time periods ended June 30, 2000. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2000

	Last Quarter	Last 1/2 Year	Last Year	Last 2 Years	Last 3 Years
Domestic Equity	(1.89%)	3.03%	14.58%	-	-
Large Cap					
Barclays Global Investors	(2.66%)	(0.44%)	7.20%	-	-
J.P. Morgan	(3.19%)	(1.10%)	3.93%	-	-
J.P. Morgan (Temporary)	(3.19%)	(1.07%)	-	-	-
PIMCO	(2.55%)	(0.37%)	7.50%	-	-
Rhumbline	(2.39%)	0.06%	-	-	-
Standard & Poor's 500	(2.66%)	(0.43%)	7.24%	14.74%	19.67%
Mid Cap Equity					
Conseco Capital	(5.07%)	18.47%	-	-	-
Putnam Investments	(1.21%)	16.35%	-	-	-
Franklin Portfolio Assoc.	(2.55%)	10.70%	-	-	-
Valenzuela Capital	1.17%	6.49%	-	-	-
S&P 400 Mid Cap	(3.30%)	8.97%	16.97%	17.08%	20.34%
Small Cap Growth					
Aetlus Capital Management	(3.27%)	6.55%	44.23%	-	-
TCW Group	(9.87%)	(2.58%)	77.99%	-	-
Russell 2000 Growth	(7.37%)	1.23%	28.38%	17.92%	16.32%
Small Cap Value					
Ariel Capital Management	11.45%	7.00%	(1.05%)	-	-
Brandywine Asset Management	(3.07%)	(7.41%)	(19.20%)	-	-
Russell 2000 Value	1.95%	5.84%	(0.94%)	(3.36%)	3.84%
International Equity	(5.91%)	(5.27%)	25.87%	-	-
Alliance Capital Management	(3.89%)	(3.57%)	17.24%	-	-
Bank of Ireland	(1.66%)	0.05%	24.11%	-	-
Dresdner RCM	(11.52%)	(11.79%)	33.53%	-	-
MSCI EAFE Index	(3.96%)	(4.07%)	17.15%	12.28%	10.18%
Domestic Fixed-Income	1.68%	3.95%	4.83%	3.94%	6.17%
Alliance Capital Management	1.68%	3.72%	4.12%	3.40%	6.81%
Alliance Capital Index	1.74%	3.99%	4.57%	3.86%	6.81%
Bank of New York	1.67%	3.71%	4.60%	3.88%	6.30%
Bank of New York Index	1.74%	3.99%	4.57%	3.86%	6.11%
Bank One, Indianapolis	1.60%	3.77%	4.87%	3.99%	5.78%
Bank One Index	1.74%	3.99%	4.57%	3.86%	5.84%
Baxter Capital Management	1.24%	3.12%	3.24%	3.08%	4.77%
Baxter Cap Index	1.74%	3.99%	4.57%	3.86%	5.16%
Reams Asset Management	2.06%	5.48%	6.72%	5.59%	7.44%
Seix Investment Advisors	1.73%	3.17%	4.44%	3.58%	5.97%
Taplin, Canida & Habacht	0.34%	1.90%	2.26%	3.06%	5.68%
Lehman Brothers Aggregate	1.74%	3.99%	4.57%	3.86%	6.04%
Todd Investment Advisors	1.81%	3.42%	4.53%	3.21%	5.92%
Todd Inv Index	1.74%	3.99%	4.57%	3.86%	6.15%
Cash Flow Account	1.50%	2.91%	4.51%	4.69%	4.98%
Treasury Bills	1.51%	2.93%	5.53%	5.21%	5.25%
Composite Fund	(0.08%)	3.28%	10.03%	11.08%	10.98%
Standard & Poor's 500	(2.66%)	(0.43%)	7.24%	14.74%	19.67%
Lehman Brothers Aggregate	1.74%	3.99%	4.57%	3.86%	6.04%
Domestic Fixed-Income Database	1.55%	3.43%	4.44%	3.90%	5.90%
Domestic Equity Database	(2.44%)	4.38%	16.67%	15.00%	18.18%
Indiana State Teachers' Retirement Fund					